

VIEW

Taking Advice – More Important Than Ever



From the Desk

John D'Alessandri, Financial Planner - Sydney

The markets are volatile! The economy is slowing down! The onset of rising petrol prices, interest rates, and grocery prices, are of concern. To top it all off there is the threat of a recession in the U.S.

Overwhelmed with sensationalised newspaper headlines, it appears dark and gloomy; compound that with the fact that investment portfolios are showing negative returns for the 2008 financial year.

You may be wondering what FMD Financial is doing during these testing times.

During February 2008, Rice Warner Actuaries prepared a report titled "Value of Advice" for the Financial Planning Association (FPA). They reviewed and analysed case studies of financial advice over the last two years. The following are the key conclusions reached:

- There is an advantage in having an ongoing relationship with a Financial Planner in order to maximise opportunities and to build the discipline of maintaining long term goals.
- The intangible but emotional benefit from having "peace of mind" in uncertain times.

Let's briefly examine our role as your Financial Planner. It can be broadly divided between strategy, structure and investments.

Strategy - Helping you establish your short, medium and long term financial goals. We work with you to drive the financial planning process in evaluating the trade-offs that impact on your current and future lifestyle.

Structure – Advising you, with the help of other professionals, to select the most appropriate structures through which to hold your investments. Depending on individual circumstances, this could entail superannuation, family trusts, companies and so on.

Investments – As well as providing recommendations and ongoing reviews, we encourage you to become **disciplined** investors. A disciplined investor will ensure their portfolio is balanced and diversified and generally will not sell their investments at the bottom of the market and will not buy at over-inflated values.

FMD prides itself on our investment process. We utilise the experience of reputable research houses, such as van Eyk Research and the Hillross Research Team. The FMD Investment Committee is ultimately in a position to make informed decisions and **avoid** disastrous investments such as Westpoint, Basis Capital, Fincorp, Bridgecorp, Opes Prime and Lift Capital.

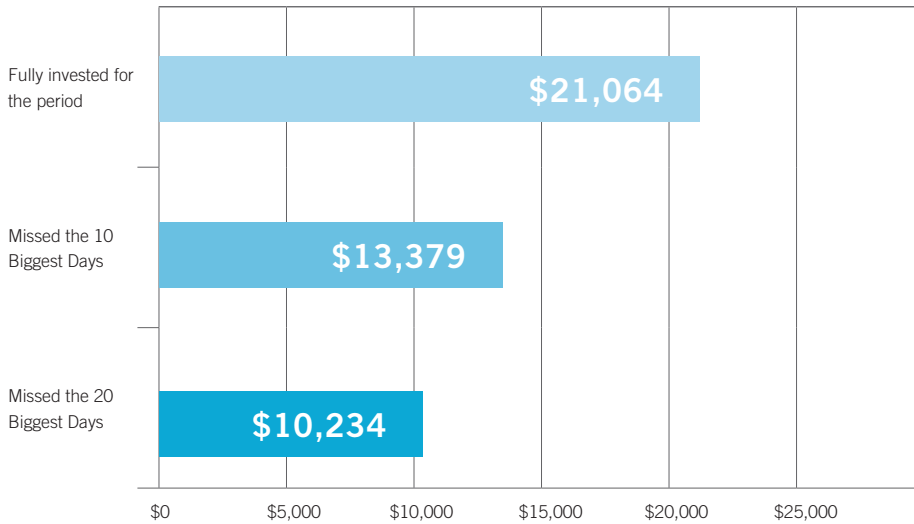
'Time in' not 'timing'

Investors who lose patience and get out of the market run the risk of being absent when significant gains are made.

If you had invested \$1,000 in Australian shares in 1983, 24 years later it would have grown to \$21,064 (making an annualised return of 16.5%). If you had invested the same amount over the same period except for the 10 biggest days in the market, it would have grown to \$13,379 (an annualised return of 13.8%) and if you missed the 20 biggest days you would have just \$10,234 (an annualised return of 12.3%).

Continued Page 2

Australian Shares 1984-2007



Growth of \$1000 Based on Daily ASX Returns 3

Source: Morningstar: Based on the All Ordinaries Accumulation Index

What should you do?

To put it concisely, 'be patient' and you will be rewarded.

In this environment, we believe it is important to stay focused on your long-term investment horizon and maintain perspective. The Morningstar 5-year return for a 70% growth portfolio is 10%pa for the period ending May 2008. The return from an all cash portfolio over the same period is 5%pa.

In uncertain times, the importance of maintaining a well diversified portfolio is proven. Be assured that at FMD we are closely monitoring your portfolio and we will act, as we have already in recent months, to change investment managers should our research conclude this is appropriate.

Taking advice from your FMD Financial Planner is now more important than ever.

STAFF PROFILE

Shirley Olive Queensland, Client Service Manager

Shirley started with FMD Financial in Queensland in October 2007 having already worked in the financial services industry for 10 years. Shirley and her family emigrated to Sydney in November 1990 from England and then moved to the Sunshine State in 1992. Although Shirley finds the summers a bit hot and humid, she still loves living in Queensland. Shirley worked with Martin Hawkins at a previous company and jumped at the opportunity to work with him again – after all he needs someone that can understand his English sense of humour! Shirley is a valued member of the Queensland team who enjoys seeing people achieve their goals and working with people who are committed to helping them get there.

What's driving oil prices

The massive industrialisation of China, and to a lesser extent, India, has sent oil demand surging in recent years. Demand for oil in China alone grew by 30 per cent in the last four years, compared to 4 per cent growth in the US. That alone means a rising oil price.

According to the June 2008 edition of BP Statistical Review of World Energy, current daily global consumption of oil stands at about 85.2 million barrels. Production, however, is running at 81.5 million barrels.

But the shortfall between production and consumption is not enough to take oil to \$140 a barrel. There has to be another element.

That element is speculation. Put simply, with the stockmarkets around the world hammered by the credit crunch and the US dollar slumping against the euro in response to the weakening US economy, speculators



have piled into oil futures. For some it's the only sure-fire gain in town; for some, oil has become like gold, a form of reserve currency. But the speculative money flowing into oil has, in effect, created two distinct oil markets.

One is the real oil market, for the physical stuff, actual crude oil, in all of its many grades. The other is for pieces of paper linked to the oil price.

Source: Vanguard Investments Australia

Time for investors to keep CALM

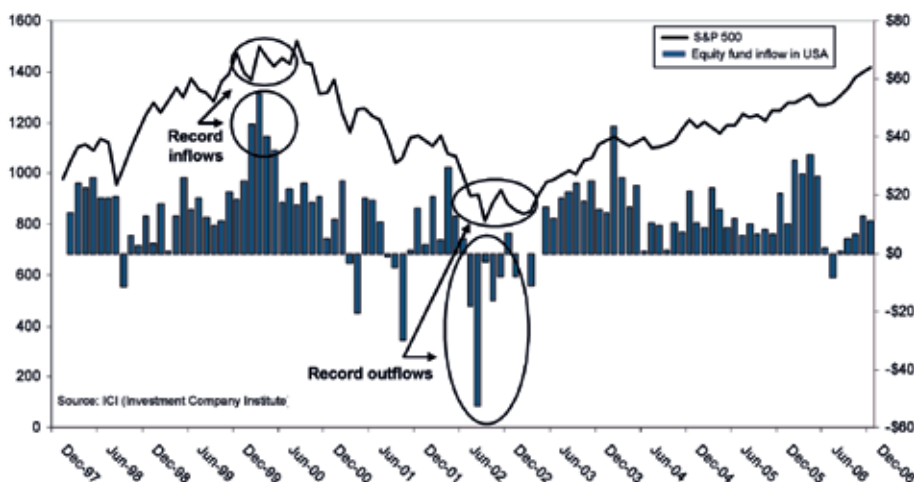
Most investors will receive their worst super fund annual return for many years

With markets dropping in June, a dramatic end to a volatile Financial Year, the press will no doubt pump out a lot of negative media that will sensationalise current events. Whilst no one likes seeing their nest egg decline in value, investment markets unfortunately do go through these cycles. Provided you have a high quality, diversified portfolio the best strategy is usually to stay calm however, many investors tend to panic at these times. Have a close look at the following chart which shows how US investor's reacted in their last negative market (2002): Investors took record amounts out of Sharemarket funds around June 2002 just before the market bounced back.

Accept Risk: To achieve a higher return than cash over the longer term, there will be negative returns from time to time. Fact: Since 1982 the Aussie sharemarket* has produced, on average, a negative return every 6 1/2 years. What we are experiencing now is the painful part of a normal investment cycle.

Long-Term Approach: Investors with a long-term objective should take a long-term view. Investing in growth assets such as shares and property pays off over the long-term. Fact: If you take a one year view on Australian Shares* since 1981 you have a one in 7 chance of losing money. Since 1981 there have been no 3 year consecutive periods where investors have experienced negative returns.

A market that seemed to ignore the oil price a few months ago now appears obsessed with it. So, what to make of all this? In spite of all the negatives to hit the US economy, it has yet to spiral into recession, as was feared earlier in the year, and emerging market economies are still holding up reasonably well. That said, the next danger period for the US economy is when the temporary boost from tax rebate cheques peters out. Hopefully, by then, lower US cash rates will be helping to stimulate the economy. In light of the hammering household budgets have taken due to higher interest rates and energy costs, the next key test, from an Australian perspective, will be company reporting season and ensuing company commentaries and outlooks.



How should investors stay CALM in this environment? Here are some tips and facts that may help:

Context: Put the news into context of how the market declines affect your total portfolio and in the light of the great returns investors have enjoyed over the previous 4 financial years. Fact: If you were invested in Australian Shares* over the 4 years to 30/6/07 your investment would have grown 230% and then declined 11.4 % this Financial Year, representing a compound return of around 15%p.a; a good result in a 5 year context and more than double the return you would have achieved investing in cash over the same period.

Mix your investments amongst and within asset classes to ensure your risk is minimised. Fact: Whilst the ASX100 index for the financial year fell around 16%, there were 31 shares that fell more than 40%, so if you invested in just a few shares you could easily have experienced a more substantial loss compared to a diversified approach.

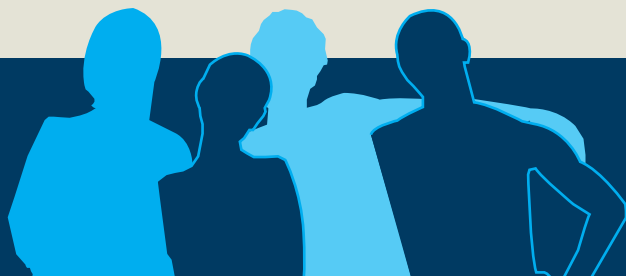
**Based on the All Ords Accumulation Index.*

Since last month investor sentiment has certainly taken a turn for the worse. With concerns around oil, inflation, and company earnings coming to the fore, the US housing market and sub-prime woes have been relegated to the sidelines.

Investors need to remember that markets will fully price in all of the bad news out there and, once this happens, value will begin to build. This value is released when sentiment or confidence returns. There are headwinds out there but forward PEs down to 12 times Australian Shares reflect that. The chances of the Australian economy slipping into a recession are very low, given the amount of public and private sector investment spending in the pipeline and the boost the country is getting from higher commodity prices. A period of more modest growth is exactly what the Reserve Bank of Australia is after, this will allow inflationary pressure to moderate and ultimately create room for an easing in tight monetary conditions, resulting in a more bullish market.

*Source: Brian Thomas—
Perennial Investment Partners*

FMD In The Community



Chinese Spectacular

A night of Chinese food, good fortune, entertainment and dancing!

The next FMD Community event is the "Chinese Spectacular" charity function to be held on 6 September 2008 in Sydney.

John D'Alessandri (FMD Sydney) is the President of the Rotary Club of Sydney Darling Harbour. The web-site is www.rotanet.com.au/sdh. The cause he has chosen is Sydney's homeless. The major beneficiary is "The Station" drop in centre - serving the homeless since 1978. For more information on the charity visit "The Station" website www.thestationltd.org. Your support will be appreciated.

Please contact John or visit our website www.fmd.com.au home page, FMD in the Community, and click on next community event "read more" link.

2008 - Variety Bash



On 16 August 2008, Richard Dahl – Financial Planner and Director in Adelaide leaves from Mawson Lakes (Adelaide) on the SA Variety Bash.

The Variety Bash is the culmination of a year of fundraising for Variety The Children's Charity.

Richard is one of the crew in car 28 ("The Wonkas") who have raised over \$18,000 for Variety this year from donations. (Thank you to those who have donated), corporate sponsorship and a "Mad Hatters" Party at the Rob Roy Hotel in Adelaide. The FMD team and partners helped the "Wonkas" raise over \$4,000 at the "Mad Hatters" party, a great result for the children in need.

Congratulations Daniel & Megan



On Saturday 26 April 2008, Daniel Arcadiou – Financial Planner with the Adelaide office – wed Megan Ryan. The ceremony was held at Sacred Heart Catholic Church in Mildura (Victoria) and the reception was held at The Grand in Mildura. Daniel and Megan spent a couple of weeks in Port Douglas before returning to Adelaide to start their new life together.

We wish Daniel & Megan all the best for a bright and happy future together.

FMD Financial's website home page improvements

In addition to having links to the latest industry articles chosen by our wealth management experts, on issues and trends affecting the economy and financial markets, our homepage now includes direct links to news, newspapers, financial, government, and travel and tourism sites.

Level 4, Rialto Nth Tower
525 Collins Street
MELBOURNE, VIC 3000
Ph (03) 9620 4633
Fax (03) 9620 4688

Level 3, Suite 1
350 George Street
SYDNEY, NSW 2000
Ph (02) 8223 2600
Fax (02) 9221 6177

Level 3,
170 Greenhill Road
PARKSIDE, SA 5063
Ph (08) 8373 0166
Fax (08) 8172 0966

Suite 8A, Plumridge House
36 Agnes Street
FORTITUDE VALLEY, QLD 4006
Ph (07) 3852 1966
Fax (07) 3852 1588



FMD Financial Pty. Ltd. ABN 69 095 971 770 is a Corporate Authorised Representative of Hillross Financial Services Limited ABN 77 003 323 055 AFS Licence No. 232705. This document has been published by FMD Financial Pty. Ltd. ABN 6909 5971 770. Any advice contained in this document is of a general nature only and does not constitute personal financial product advice. In preparing the advice no account was taken of the objectives, financial situation or needs of any particular person. Before making any investment decision, readers should therefore consider the appropriateness of the advice with regard to their particular objectives, financial situation and needs. Although the information contained in this document was obtained from sources considered to be reliable, FMD Financial does not guarantee that it is accurate or complete. Therefore readers should not rely on this information when making investment decisions. Past performance should not be taken as an indication of future performance. Except where liability under any statute cannot be excluded, FMD Financial, its advisers, employees and officers do not accept any liability (whether under contract, tort or otherwise) for any resulting loss or damage suffered by a reader or any other person.